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Assessing Challenges of Public Procurement in Oromia Regional State, Ethiopia

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Abstract:

The purpose of this study is to provide an overview of changes of public procurement in Oromia regional state. The procurement functions are the business of all public sectors of the Region State. Accordingly the study assess the current workforce, practice and challenge of public procurement of Oromia regional state

Descriptive statistics was used to analyze the data. Structured Questionnaire is employed to collect data. Both random and purposive sampling is used. The study used five point Likert scale to collect data. Moreover seventy nine questionnaires were distributed and 64 was correctly filled and returned.

This study critically assess factors that affects public procurement in Oromia regional state and the current practice of public procurement. It addressed Procurement system of Oromia regional state is suffered from poor skilled workforce, management mal practices, that opened the room to maintain inefficient procurement system. Accordingly the study revealed that the current public procurement practice of Oromia regional state is characterized by lack of proper skilled, experienced and capability, poor planning, inadequate management of procurement.

To avoid lack of skilled and experienced manpower on the area of procurement in the region, developing skill and knowledge of public procurement professional through either short term or long term training is recommended. Moreover the sector has to work in close collaboration with different local and international institutions aimed at building the capacity of public procurement professionals is another suggestion given by the researcher.

Keyword: Procurement, procurement workforce and procurement process

1. Introduction

1.1. Background the Study

Public procurement is the function where by public sector organizations acquire goods, services, development and construction projects from suppliers in the local and international market, subject to the general principles of fairness, equitability, transparency, competitiveness and cost-effectiveness (Arrowsmith, 2010). It includes many activities that support the service delivery of government entities, ranging from routine items to complex development and construction projects. It also directly or indirectly supports government's social and political aims. (Tomas, 2009)

As stated by Basheka, (2009), in day-to-day practice, procurement professionals mobilize a variety of resources both tangible and abstract require a complex set of skills. Hence, a capable and technocrat Procurement workforce is the most important part of procurement pillar as they execute the procurement project from need identification to warding and managing the project procurement.

Public procurement is continuing to evolve both conceptually and organizationally. That evolution accelerated during the 1990s as governments at all levels came under increasing pressures to 'do more with less' (Thai, 2009). All governmental entities of rich and poor countries are struggling in the face of unrelenting budget constraints; government downsizing; public demand for increased transparency in public procurement; and greater concerns about efficiency, fairness and equity (Shaw, 2010). In addition, policy makers have increasingly used public procurement as a tool to achieve socioeconomic goals (Basheka, 2009).

According to OECD (2007), total volume of funds channeled through government procurement and it is the largest single buyer in most countries. The size of public procurement varies between 5% and 8% of the gross domestic product (GDP) in most industrialized countries. In the Middle East and Africa, central government's purchases range from 9% to 13% of their GDP (Gul, 2010). Hence, we can say that huge part of government budget is consumed through procurement

Following the procurement reform of the country, Oromia regional state, for the purpose of making regional public procurement effective and efficient, it reformed the public procurement of the region and established Oromia procurement

and property administration agency through regulation number 134/2011 by the year 2011 based on proclamation 157/2010 and it is established as government institution and accountable for Oromia finance and economic development bureau.

According to regulation number 134/2011, the procurement agency has given mandate to carry out procurement service from domestic and international market behalf of bureaus that uses budget of Oromia regional state. Furthermore, it procures supplies of similarities goods and services which are commonly used by public bodies as well as goods and services which has national strategic significant, in the desired quality and at prices attributable to economies of scale resulting from bulk purchases. Accordingly, currently the Oromia regional government has procured good service and work from domestic and international market using these manual, directives and proclamation. Therefore, the research was designed to assess challenges of public procurement of the region.

1.2. Statement of the Problem

According to Tomas (2009) Public procurement systems in Africa has characterized by lack of clarity, not comprehensive, no systematic disclosure of information on procurement award and performance, little transparency, non-compliance in implementing procurement rules, limited consultation of public before contract award and lack of skilled professionals in public procurement.

According to Office of Government Commerce (OGC 2008), effective public procurement is essential for good public services and good governance. Regardless of the effort made by the governments of developing countries and development partners like World Bank to improve performance of the procurement function, public procurement is still marred by careless works, poor quality goods and services, delayed delivery of procured item thus affecting the function's performance (OGC 2008).

Oromia regional state reformed the public procurement of the region following the procurement reform of the Federal Democratic Republic of Ethiopia. According to proclamation 157/2010, the region reformed the procurement to achieve value for money through transparent, efficient, fair and impartial in public procurement and to enable the utilization of the large sum of public money spent on procurement in a manner that ensures greater economy and efficiency. Moreover, public procurement proclamation directives and manual were established and public sectors have used them to executed procurement in the public sectors. Moreover, good that has similar character has been procured through procurement and property disposal agency of the region for achieving the economics of the scale. However, according to annual report of public service and good governance (2013), procurement function of the region has been area where corruption is practiced. With this regard the researcher conducted the research work to assess challenges of public procurement in Oromia regional state.

1.3. Research Questions

The study responded the following basic question

1. What is public procurement practices of public sectors of Oromia regional state?
2. Does Oromia regional state carried out procurement with skilled, experienced and knowledgeable employee?
3. What are the factors hindering public procurement system of Oromia regional state?

1.4. Research Objectives

1.4.1. General Objective

The general objective of this study is to assess challenges of procurement in public sectors of Oromia Regional state.

1.4.2. Specific Objectives

The specific objectives of the study are designed as follow.

1. To assess the public procurement practices in the public sectors of Oromia regional state
2. To assess the procurement workforce conducting procurement in the public sectors of Oromia regional state.
3. To identify the factors that hindering the public procurement system of Oromia regional state.

1.5. Significant of the Research

The findings of the study will help procuring entities by identifying factors that hinder the procurement of the region. Secondly, finding of the study show the current procurement practices of the region for public sectors directly engage in procurement activities. Lastly, the study findings is useful in guiding researchers, academician and others for further and future referencing as starting point to carry out similar research on the topic and add to their existing knowledge. They can extend their efforts in the areas which have not been covered by this study.

1.6. Organization of the Paper

This research critically assessed challenges of public procurement in Oromia regional state. The paper is organized in to five chapters. Each chapter has its own subunits. The first chapter outlines the introductory part including research design, strategy and methodology of the research. Also this chapter raises questions that would answered by the study. The second and third chapters will cover the literatures review and research methodology. Chapter four deals the data discussion and

analysis. Finally, the fifth chapter deals with the summaries conclusion and recommendations suggested for solving the problem stated in the introduction part.

2. Literature Review

This chapter deals with the review of related literatures pertinent to the study.

2.1. Definition of Public Procurement

Procurement is a process of identifying and obtaining goods and services. It includes sourcing, purchasing and covers all activities from identifying potential suppliers through to delivery from supplier to the users or beneficiary. It is favorable that the goods/services are appropriate and that they are procured at the best possible cost to meet the needs of the purchaser in terms of quality and quantity, time, and location (Hommen, L., & Rolfs tam, M. 2009)

According to the new Federal Republic of Ethiopia Public Procurement Proclamation (649/2009), procurement means obtaining goods, works, consultancy or other services through purchase, hire or by any other contractual means.

The term government on the other hand, implies the organizational structure and leadership within a country and also in this framework, public procurement is one of many government functions, and the procurement system can determined through procurement laws and regulations and through policy and budget decisions by legislators and the executive branch (Thai 2009). Hence, it is important that the public procurement system is mainstreamed and well integrated into the public sector governance system.

2.2. Role of Procurement

According to procurement international hand book (2009) Public procurement is the process whereby public sector organizations acquire goods, services and works from third parties. Hence, it supports the work of government and ranges from routine items (e.g. stationery, temporary office staff, furniture or printed forms) to complex spend areas (e.g. construction, Private Finance Initiative projects, aircraft carriers or support to major change initiatives).

According to international procurement handbook (2009), the starting points for government's activities are policy outcomes. These are the desired deliverables like tolerant, safe society; well-educated citizens and so on and Government develops policies to meet these outcomes and engages in operational activities to deliver them (International Procurement Handbook 2009). It is not always obvious how procurement contributes to these policies and outcomes. It may be indirect, for example; buying stationery, in this case, stationary is obtained through procurement and it support the work of the staff (International Procurement Handbook 2009). Hence procurement is supporting the staff in delivering policy and also from the above discussion we can conclude that, procurement is a process of carrying out activities related to procurement in such a way that the goods and services so procured are of the right quality, from the right source, at the right cost and can be delivered in the right quantities, to the right place, at the right time.

2.3. Public Procurement: A Historic Origin

According to Thai (2009) Public procurement is continuing to evolve both conceptually and organizationally. That evolution accelerated during the 1990s as governments at all levels came under increasing pressures to "do more with less." Indeed, all governmental entities of rich and poor countries are struggling in the face of unrelenting budget constraints; government downsizing; public demand for increased transparency in public procurement; and greater concerns about efficiency, fairness, and equity. Further, policy makers have increasingly used public procurement as a tool to achieve socioeconomic goals.

According to Dobler and Burt (1998) public purchasing possesses a strong historical base in the United States from 1792 when the federal government authorized the Departments of War and Treasury to contract on behalf of the nation. While the intent of Congress was likely to prevent corruption in the letting of government contracts, the authorization also served as an acknowledgement of the profession. Hence, from the above explanation public procurement has become much more complex than ever before, and public procurement grows from time to time conceptually and organizationally.

2.4. Principles of Public Procurement

According to Oromia public procurement proclamation (157/2011), principles of public procurement are explained as follow

2.4.1. Fairness

Public procurement is considered being fair and reliable when it is unbiased and consistent. The procedures should be clear and everybody should be treated equally, this will lead to more and better offers for procurers to choose from (The World Bank Group, 2003).

2.4.2. Value for Money

In the fifth stage it becomes more important to focus on the value for money. There is however, some overlap with efficient use of public funds (Schapper, Malta, & Gilbert, 2006). Value for money in the public sector entails consideration of

the contribution to be made to advancing government policies and priorities while achieving the best return and performance for the money being spent (Bauld & McGuinness, 2006.). This means that public procurement can choose to award a contract based on other criteria than the lowest price. One of the factors considered is the cost of full life (Raymond, 2008).

2.4.3. Transparency

Transparency refers to the availability of information on decisions and performance of public procurement. This information should be available to everybody, reliable and on time (Armstrong, 2005). Public procurement processes can be regarded as transparent when the terms and conditions are clear and available to everybody and when after the decisions are made adherence to the before mentioned terms and conditions can be verified (Evenett & Hoekman, 2003). Making procedures more transparent will improve the options for (foreign) suppliers to participate in the process but also has the benefit for the government that prices will go down (Evenett & Hoekman, 2005; Ohashi, 2009).

2.4.4. Accountability

Accountability refers to the obligation on the part of public officials to report on the usage of public resources and answerability for failing to meet stated performance objectives (Armstrong, 2005.). In the fourth stage public procurers should be able to explain that they did well (Harland, Knight, et al., 2012). When public procurers follow the right procedures and protocols no problems should occur (Matthews, 2005). These procedures and protocols should explain why certain products were bought, how the procurement process went and why there was a decision to go for a certain supplier, and it should be clear that there was no corruption (Harland, Knight, et al., 2012). Transparency and fairness are important factors that contribute to accountability (Raymond, 2008).

2.5. The Public Procurement System

According to Benon Basheka (2009), Procurement Laws and Regulations, Procurement Workforce, Procurement Process and Methods, and Procurement Organization's Structure are the four pillar of the public procurement system.

2.5.1. Laws and Regulations of Procurement

A sound public procurement system needs to have good procurement laws and regulations. In practice and theory, public procurement laws and regulations have been considered as one of the most important pillars of a sound procurement system. According to Thai (2009), procurement laws and regulations lead to procurement efficiency or inefficiency. Moreover Thai (2009) said Law and regulation for public procurement should be clear, understandable and easily executable. Hence, the clarity, understandable and easily executable of procurement law and regulation determine the efficiency of procurement system.

2.5.2. Public Procurement Organization

An essential element of the role of the public procurement agency in a government is the placement of procurement authority and the location of procurement personnel (Arrowsmith, S. and Trybus, M.2010). According to Dobler and Burt (2006), centralization occurs when all of the rights, powers, duties, and authority relating to public procurement are vested in a central procurement officer. Central authority often delegates some of these powers to others, but the point remains that they stay with that central figure. Such delegations are normally carried out within a regulatory or policy framework by means of specific letters or memoranda to those receiving the delegated powers; they very precisely delineate the delegated contract approval authority in terms of dollar amounts and commodities as well as whether or not the assigned authority may be further delegated.

2.5.3. Public Procurement Workforce

According to an OECD (2007) report, a sound procurement system has to have a competent professional workforce equipped with defined skills and knowledge for specified procurement jobs. Professionals need to possess a set of skills and competencies. As stated by Callendar & Mathews. (2000) the procurement workforce permeates virtually every effort within an organization, including successfully acquiring goods and services and executing and monitoring contracts. Governments use public procurement to undertake public works, build roads, provide health care, and provide education and public order (Gul, H. (2010) Procurement professionals undoubtedly expected to have a multiplicity of skills to manage the critical acquisition processes.

Creating a procurement workforce with the right skills and capabilities can be a challenge, given changes to procurement processes, the introduction or expansion of alternative contracting approaches, and increased reliance on services provided by the private sector (Hanks, J Davies, H. & Perera, and O. 2008)

The dynamics, complexity and diversity, characteristic of global environments have led to increasing demands of procurement professionals (Jokinen, 2005). Having procurement capacity involves understanding globally recognized procurement principles, knowledge of national laws, regulations and procedures, and a commitment to ethical responsibilities (Jones, 2007). However, as Hunja (2003) precisely observed, most procurement practitioners in developing countries possess technical procurement skills and lack knowledge of other issues necessary to plan, manage and implement wide-ranging

reform efforts. In day-to-day practice, professionals mobilize a variety of resources both tangible (Mahmood, 2010), and require a complex set of skills. Hence, Public procurement is one such crucial function of public financial management and Professionals need adequate capacity to manage this process efficiently and effectively at all levels of government.

2.5.4. Procurement Process

The procurement area requires a wide range of standard operating procedures to deal with the normal daily tasks (Thai, 2009). The large number of items, the large birr volume involved, the need for an audit trail, the severe consequence of unsatisfactory performance, and the potential contribution to effective organizational operations inherent in the function are five major reasons for developing a sound procurement system (Gul, H. 2010) .

Accordingly to Mangan, Lawani, and Butcher, (2008) procurement process:-

A. Need Identification

Procurement is done to desire to accomplish a specific task. Given that resources are always scarce, the task to be accomplished should be important to an organization and any procurement originates with the recognition of a definite need by someone in an organization (Nakamura, 2004). Need can be identified based on the directives of the organization, for example according to procurement directives articles 9/2011 of Oromia, public sectors consider need if the need cannot be met by using unused resource ,need could be met by a product or service available in the market , the need does not involve items which shall be of no use to the Public Body and cause the Public Body to incur unnecessary cost ,the identification of procurement needs makes provisions for additional need that might arise in the future, especially in regard to the procurement of goods of long term contract. Hence, the first step in the procurement cycle is the identification of the need to procure. This should be carried out by the user department and should result in clear identification of specific functional and service requirements

B. Procurement Planning

According to Oromia procurement directive (2011) any public body and other entities accountable to such Public Body shall be required to prepare a procurement plan supported by action plan enabling them to execute in due time, the procurement necessary to implement their work program. Moreover this according to Oromia procurement directive (2011) the purpose of this planning is to ensure that the procurement agents meet the agency's needs in the most effective, economical, and timely manner and knowledge gained from prior acquisitions is used to further refine requirements and acquisition strategies. Hence, plan is important to deliver the service or goods required. The plan must be developed in collaboration with the other functions within the organization, so that it is integrated into the organization's strategy and therefore provided adequately

C. Conducting Market Research

Shaw (2010) as presented procurement office researches markets even before developing new requirements documents for an acquisition by user agencies. The extent of market research and analysis will vary depending on the urgency, value, and complexity of the proposed acquisition (Thai, 2009). Hence market search should be conducted after need is identified.

D. Specifications

According to Thai (2009) No procurements can be expected to buy without knowing exactly what the using departments want and it is essential to have an accurate description of the need's specification, or the service which is requested.

As stated (Soudry, 2007) Preparing specification for identified need required special knowledge in the area of item selected for satisfying need of public agency.

No procurements can be expected to buy without knowing exactly what the using departments want. For this reason it is essential to have an accurate description of the need.

Hence, to be able to procure the right goods or services, the specifications of what the organization needs must be clear. These specifications are used to communicate to the supplier what is needed and what should be supplied. It is therefore important to have clear, precise and accurate specifications

E. Contract Award

According to Mahmood, (2010) the last major activity of the procurement process is contract award and this consists of determining responsibility, preparing awards, signing the contract, notifying and debriefing losing firms, and dealing with possible irregularities such as mistakes and pre-tests. The procedures vary depending on whether the contract results from simplified acquisition, sealed bidding, or negotiation procedures.

F. Preparation and Signing of Contract

According to Bolton (2006) when awarding through sealed bidding or competitive negotiations, documentation should be sufficient to allow accurate reconstruction of the procurement for immediate review and for future reference. Drawing on that documentation, the procurement professional prepares a contract for execution that establishes a legal and binding agreement

G. Maintenance of Records

After having gone through the steps described, all that remains for the disposal of any order is to complete the records of the purchasing department. This operation involves little more than assembling and filing Arrowsmith (2010).

H. Review

Ohashi, H. (2009) argues that it is very easy to forget the review stage, particularly when there is a lot of procurement activity taking place as in the case of an emergency. Consequently, the review stage is very important and has got three main objectives. These are;

- A review with the original user or beneficiary on whether the original needs they had have been met
- A review of the performance of procurement in carrying out the procurement process,
- A review of the supplier performance.

2.5.5. Methods of Public Procurement

According to Oromia procurement manual (2011) there are different procurement methods defined in the governments' procurement regulations and directives which are applicable depending on the item under consideration.

According to Ritchie, J. and Lewis, J. (2010), the following are common methods of procurement.

- I. Open Bidding: This method is used where the items are unclassified, simple and straightforward to define. These items range from clothing, foodstuffs, stationery, work services, repairs, etc. In this case advertisements are placed in the daily papers, notice boards, televisions and the firms are invited to tender.
- II. Two stage Tendering: Two stage tendering is a method of tendering which involves firstly through a competitive exercise based on outline pricing and quality the identification of a preferred contracting organization; the second stage includes negotiation and working with the preferred contractor in order to arrive at a final price for the scheme.
- III. Restricted Tendering: This method is used where the goods or services are of a specialized nature or can only be supplied by a limited number of firms. Here the security implications of the procurement are taken into consideration. The firms are identified through a confidential due diligence research by a competent agency such as the user or systems branch.
- IV. Request for Quotation: A request for quotation is a document issued when an organization wants to buy something and chooses to make the specifications available to many other companies so they can submit competitive bids.
- V. Direct Procurement: This is used where there is no competition due to technical and security reasons or one firm can only supply the goods or services. Direct procurement can also be used in the event of a national emergency or disaster.

2.6. Challenges in Procurement in the Public Sector

Public procurement is an important function of government. However, a number of challenges are faced (Shaw, 2010). Sheer magnitude of procurement outlays has a great impact on the economy and needs to be well managed (Thai, 2009). Indeed, in all countries in the world, estimates of the financial activities of government procurement managers are believed to be in the order of 10-30 % of their GNP (Basheka, (2009). Efficiently handling this size of procurement outlays has been a policy and management concern as well as a challenge for public procurement practitioners.

Another challenge is that due to many reasons (including greater scrutiny of taxpayers and competing vendors), public procurement has been perceived as an area of waste and corruption (Shaw, 2010). For example, in The District of Columbia, USA government wasted hundreds of thousands of dollars in revenue by selling used emergency vehicles for bargain basement prices' in auctions run by untrained staffers (Nakamura, 2004). In a period of 30 months, The District of Columbia sold 11 fire trucks for a total of \$3,125 while similar vehicles in make and model had been sold on the Internet for a total of \$360,875. Corruptions and bribes are widespread in government contracts. In the United States, corruptions in government contracts have been regularly reported in newspapers; and the first week of September 2004 witnessed the reporting of a flurry of criminal prosecutions against state officials for violations of state procurement laws (Arrowsmith and Trybus, 2008). Therefore, overcoming the negative perception and the objective reality, to a certain extent, is one of the biggest challenges in public procurement.

According to Shaw (2010) comply with government's procurement regulations and social and economic procurement goals without violating regional and/or international trade agreements another challenge for public procurement. For example, how to comply with national economic policies (in nurturing domestic firms), without dealing

unfairly with foreign firms as provided in regional trade agreements and/or the World Trade Organization (WTO) agreements is not easy, which requires a careful study of trade agreements in order to take advantages of special provisions.

2.7. Public Procurement in Oromia Regional State Empirical Review

The history of procurement in Oromia regional state was started with the fall of Dergu regime. Following the downfall of the Dergu regime, Oromia regional state established as one component of the federal democratic republic of Ethiopia (1994 FDRE constitution). After establishment, the Oromia regional state took over all function of the government. One function of the government was procurement. This function was organized under the Oromia finance and economic development bureau. It considered as one department in finance and economic development bureau and carried out procurement operation of the region but the procurement of work, service and other item need for the government was not procured by procurement unit alone but also different sectors of Oromia regional state carried out procurement by them.

After the coming into effect of the new constitution in 1995, the Federal Government of Ethiopia (FGE) drafted a new public procurement laws and regulations; namely "The Federal Government of Ethiopia the Financial Administration Proclamation 57/1996" and "the Council of Ministers Financial Regulations 17/1997." This regulation was also used to conduct the procurement in the region. According to civil service and good governance annual report (2012/13) total annual budget of Oromia regional state 50% is consumed through procurement.

2.7.1. Public Procurement Supporting Documents

Having the objective to achieve better transparency, efficiency, fairness and impartiality in public procurement and to enable the utilization of the large sum of public money spent on procurement in a manner that ensures greater economy and efficiency, the Federal Democratic Republic of Ethiopian (FDRE) government established a public procurement proclamation under proclamation 649/2009 (procurement proclamation 2009)

According to a draft World Bank's (2010), significant public procurement policy reforms have been made in Ethiopia. Previously public procurement was regulated with Financial Proclamations, not recognizing public procurement as a separate legal area with separate legal needs. But currently a specific procurement law, the Public Procurement Proclamation, was introduced and in its latest revision from 2009, it contains all the essential features of a modern procurement law (World Bank's, 2010). Since the political structure of Ethiopia is federalism, any regulation, proclamation and manual and direction are the photocopy of the federal government. Therefore the proclamation, regulation and manual issued for carrying out the procurement is similar to that of the federal government of Ethiopia

According to Oromia regional state procurement report 2012 volume 3, following the issuance of procurement proclamation of the country, Oromia national regional state, for the purpose of making regional public procurement effective and efficient, established Oromia procurement and property administration agency through regulation number 134/2011 by the year 2011 based on directives 157/2010. The agency was established as government institution and accountable for Oromia Finance and Economic Development office. This proclamation and other directives, regulation and manual of procurement is the only document that guide and used as the road map for carrying out procurement in the region. Besides this business process reengineering (BPR) document is also another document that support and guide procurement work of the region. The regulation describes the basic procedures of public procurement. Also, the different methods of public procurement and international procurement are clearly featured. The proclamation in addition, has introduced for the first time electronic procurement and established a board which reviews complaints on public procurement.

2.7.2. Institutional Framework of Public Procurement of Oromia Regional State

According to Oromia regional state procurement report 2012 volume 3 Prior to 2010, there were no clearly defined central procurement oversight and policy body with the functions of (i) devising procurement policy, (ii) preparing and disseminating standard bidding documents and contracts suitable for different types of procurement, (iii) monitoring compliance with procurement laws and regulations, (iv) addressing issues of integrity and transparency, and (v) providing an adequate complaint mechanism to address grievances from contractors and suppliers. Procurement unit was organized as one department in finance and economic development bureau of Oromia and not organized as independent sectors.

Before the implementation of the Business Process Re-Engineering (BPR), Public Procurement and Property Administration were separate functions under the Finance and Economic Development of Oromia regional state

Following the promulgation of the new proclamation and the implementation of the Business Process Reengineering (BPR) study, however, the two departments merge in 2010 under Proclamation 649/2010 and form the Oromia regional state Public Procurement and Property Administration Agency having its own organizational structure (proclamation 156/2011). Public procurement agency is now in place and functioning, and it has started to take its place as the key player in the formulation of public procurement policies and monitoring current public procurement activities of the region.

2.7.3. Procurement Process in Oromia Regional State

A. Procurement Plan

According to Oromia procurement manual (2011) Public bodies shall have to prepare an annual procurement plan showing their procurement for the concerned budget year. The procurement plan to be prepared shall have to be approved by the head of the public body concerned and communicated to the relevant departments of the public body and the Agency until

Hamle 30 of the Ethiopian Calendar. Any Public Body should prepare a procurement plan supported by action plan enabling them to execute in due time, the procurement necessary to implement their work program. After need is identified Public bodies have to organize their procurement needs in packages based on procurement needs data collected from end users and market price survey.

According to Oromia procurement manual (2011) In respect of bulk purchase, public body ensure that there are adequate suppliers in the market or classifying the procurement into lots based on category of suppliers, which can attract competition and it is convenient for execution and there are no hurdles obstructing the procurement. When public body prepare procurement plan, The Procurement number, Description of The procurement, Quantity of the procurement, Procedures to be followed in the execution of the procurement, The schedule of main activities to be carried out to complete the procurement, The budget and source of finance of the procurement, The Type of contract appropriate to the procurement and The roles of main parties involved in the procurement shall include in the plan

B. Technical Specification

According to proclamation 157/2010 Technical specifications are descriptions that laying down the characteristics of the goods, works or services to be procured. When technical specification is prepared it shall clearly describe the public body's requirements with respect to quality, performance, safety and where necessary dimensions, symbols, terminology, packaging, marking and labeling or the processes and methods of production and requirements relating to conformity assessment procedures

Besides this, the proclamation and manual strongly emphasized that when technical specification is prepared there shall be no requirement or reference in the technical specifications to a particular trademark or name, patent, design or type, specific original producer or service provider, unless there is no sufficiently precise or intelligible way of describing the procurement requirements of the public body and provided that words such as "or equivalent" are included in the specifications.

C. Identification of Appropriate Method of Procurement

According to 157/2010 of Oromia procurement proclamation, the following procurement methods are allowed.

- Open bidding
- Restricted bidding
- Request for quotations
- Single source/ direct procurement
- Request for proposal, and
- Two stage bidding

According to 157/2010 of Oromia procurement proclamation, when public body carry out procurement project except as otherwise provided in the Proclamation and Directive, public bodies shall use open bidding as the preferred procedure of procurement. The proclamation also permitted to use other procurement method to execute procurement project. But when they use a method other than open bidding only where conditions for use of such other method stipulated in the Proclamation and Directive are satisfied and shall record a statement of the grounds and circumstances on which it relied to justify the use of that method.

It is the responsibility of the public body to select the most appropriate method of procurement in each case. The Tender Committee within the public body will recommend the method of procurement to be used for the approval of the Head of the public body. Public bodies should use each of the 6 approved methods of procurement in the circumstances outlined in the procurement manual.

D. Setting TIME TABLE for PROCUREMENT

According to revised Oromia procurement directives No 02/2012 A Public Body has to fix the time table for the main activities to be performed in the procurement process, using the formats developed by the agency to facilitate the preparation of procurement plan by public bodies. In doing so, public bodies have to take into consideration the following and other matters which are relevant to the type of procurement (Directives No 02/2012). These are

- Time fixed for the execution of that procurement is in harmony with the work program of the Public Body,
- The schedule takes into consideration when the supply is widely available in the market.
- The schedule is in keeping with the minimum floating period of bids

E. Award of CONTRACT

After the detailed evaluation has been undertaken and the successful bidder's qualifications have been checked and found acceptable, a notice of award to substantially responsive bidder who has submitted the lowest evaluated bid, should be sent (Oromia procurement manual, 2011)

F. Rejection of Bids, Proposals and Quotations

According to Oromia procurement proclamation 157/2010 Public bodies may for one or more of the following reasons reject in whole or in part bids, proposals or quotations at any time prior to the conclusion of procurement contract where:

- there is proof of error in the procurement proceeding which could affect the outcome of the bid;
- it is ascertained that the procurement has no use in enabling the public body to obtain a better technical or economic advantage as a result of a change of work plan or another alternative representing a better option to meet the requirement of the public body;
- bidders fail to meet the minimum criteria set forth in the bid document;
- the minimum price offered in the bid does not match with the market price circulated by the Agency and the public body expected that it can get a better price advantage by re-advertising the bid;
- the price offered by the successful bidder exceeds the budgetary allocation made for the procurement and the public body cannot make up for the deficiency from any other source;
- It is proved that the bidding is not sufficiently competitive as a result of connivance among candidates.

2.7.4. Oromia Procurement Agency

Following the procurement reform of the country, Oromia national regional state, for the purpose of making regional public procurement effective and efficient, established Oromia procurement and property administration agency through regulation number 134/2011 by the year 2011 based on directives 157/2010. The agency was established as government institution and accountable for Oromia Finance and Economic Development office (Oromia procurement proclamation 2010)

According to (Oromia procurement proclamation 2010), Oromia regional state establishes the agency to

- Ensure the application of fair, competitive, transparent, non-discriminatory and value for money procurement and modern public property administration;
- Follow up compliance of public bodies with the provisions of this Proclamation in conducting procurement and administrator property at their disposal;
- Build the capacity of procurement and property administration within the Federal Government;
- Work for the prevalence of uniform and consistent system of public procurement and property administration at national level;
- Endeavor to harmonize the system of public procurement and property administration with the internationally recognized standards.

2.7.5. Function of the Agency

According to (Oromia procurement proclamation 2010), the agency has the following function

- To enable the timely supply of similarities goods and services which are commonly used by public bodies as well as goods and services which have national strategic significance, in the desired quality and at prices attributable to economies of scale resulting from bulk purchases
- To assist public enterprises in the procurement of goods and services and disposal of assets or accomplish when delegated
- Complete the procurement procedures for domestic procurement of goods and services which are common user items to public bodies enter into a frame work contract and notify the same to the public bodies

3. Research Methodology

This study assessed factors affecting public procurement of Oromia regional state. Accordingly, this chapter discusses how the study was carried out. Moreover it explains the research design, the sampling design, sources of the data, data collection methods, tools for data processing, analysis, and presentation.

3.1. Research Design

The study used descriptive survey design. According to Mugenda and Mugenda (2003) descriptive survey design is appropriate because it involves collecting data in order to answer questions concerning the current status of subjects of the study.

3.2. Population, Sample Size and Sample Techniques

The population of the study comprised all forty four /44 / public sectors of Oromia regional state found in the regional level. The study used the principles of Gay. Gay (1981) points out that the minimum number of subjects believed to be acceptable for a study depends upon the type of the research work involved. For descriptive survey research, a sample of 10% of the population is considered minimum; for a smaller population at least 30% may be required. Accordingly, out of forty four bureaus at regional level, thirteen bureaus (30%) were taken as sample size. Accordingly, thirteen sample staff was selected from top officials and team leaders of each public sector, sixty four sample staffs were selected from employees

directly engage in public procurement activities in each public sectors and one sample staff was selected from Regional technical team coaching the procurement agency (Table 1).

| No | Sampling design | Applicability | Criteria of selection |
|----|--------------------------|--|--|
| 1 | Simple - Random sampling | 13 public sectors have been selected from 44 public sectors found in the regional level. These are Police Commission, Ethics and Anti-Corruption Commission, Bureau of Finance and Economic Development, Bureau of Revenues, Public Enterprises Supervising Authority, Public Procurement and Property Disposal Agency, Micro and Small Enterprises Development Agency, Transport Agency, Rural Roads Authority, Bureau of Education, Public Service College, ICT Development Agency, Bureau of Health | Lottery Method |
| 2 | Purposive Sampling | Institutional leaders and Team leaders are chosen to fill questionnaire | They closely monitor procurement activities of their sectors |
| 3 | Purposive Sampling | Regional technical team who have been training and coaching Oromia procurement agency. | Experience of training and coaching the agency |
| 4 | Purposive Sampling | Employee working in procurement department /team of each bureau | Execute the procurement and have good experience over the study. |

Table 1: Sample Design
Source: Designed By Researcher

| No | Sector | Sample Size | Employee Selected | Number Of Bureau | Total | Remark |
|----|-------------------------|--|-------------------|------------------|-------|---------|
| 1 | Bureau level | Officials or team leaders from each bureau | 1 | 13 | 13 | 1*13=13 |
| | | Employee from each bureau | 5 | 13 | 65 | 5*13=65 |
| 2 | Regional technical team | Coaching Oromia procurement agency. | 1 | 1 | 1 | 1 |

Table 2: Distribution of Sample Size
Source: Designed By Researcher

The research is assessed factors affecting public procurement in Oromia regional state. Accordingly, to achieve the objectives the study used both random and purposive sampling method. Since all bureaus found in the Oromia regional state have equal chance to be selected. Therefore Random sampling was used to select public sectors and Purposive sampling was used to select Top officials and team leaders, employees directly engage in public procurement activities in the public sectors because they have knowledge around the study area.

3.3. Data and Data Source

Both primary and secondary data were used for this study. The former was collected from employees, team leaders, and higher officials working in the public procurement of Oromia regional state. On the other hand, the latter was gathered from procurement proclamation, directives, manual, books, journals, newspapers and internet.

3.4. Tools and Methods of Data Collection

The tools of data collection used by researcher were questionnaire. According to Mugenda (2003) collecting data through questionnaire is easy to administer and easy to analyze. The questionnaires were closed ended and open ended. With reference to close ended portion of the questionnaire, respondents rated their perception on five point Likert scale (interval) that range from strongly agree to strongly disagree is used.

3.5. Method of Data Analysis

Descriptive statistics was used to analyze the data. Accordingly data were analyzed qualitatively and quantitatively. After the relevant data was collected, appropriate data has been selected and the next step was checking and converting the data into formats for analysis and interpretation. The study employed descriptive way of data analysis.

4. Presentation and Analysis of Data

4.1. Introduction

This chapter presents analysis done in relation to the objectives of study and research questions designed in chapter of this paper. Accordingly, both primary and secondary data sources were used. Primary data was collected from employee found in different public sectors of Oromia regional state and secondary data was collected from proclamations, directives, manuals, and report. Primary data were collected mainly through structured questionnaire.

Furthermore, the questionnaire survey instrument was categorized in to four sections. Section one was about general information regarding respondents' profile. Section two contains questions related to public procurement workforce in Oromia regional state. The third section of the questionnaire was designed to assess the challenge of procurement in Oromia regional state and the fourth section of the questionnaire designed to assess the current public procurement practice of Oromia regional state.

4.2. Response Rate

Seventy nine questionnaires were distributed for the sampled staff. Sixty four questionnaires were filled in and returned while 15 respondents did not return the questionnaire. The response rate was 81%, which is commendable response rate.

4.3. Instrument Reliability

The study adopted Likert's 5-point rating scale to analyze responses in the questionnaire. The reliability of the measurements was established by testing for internal consistency and stability using Cronbach's alpha reliability coefficients for the set of instrument. The result obtained for Cronbach's alpha test for work force measurement was 0.76; challenge of public procurement measurement was 0.79; current practice of public procurement measurement was 0.82. Thus the internal consistency reliability of the measurements used in this research can be considered good. The interview was conducted with 4 officials and 2 procurement senior officers all at the middle management positions.

4.4. Background Characteristics of Respondents

| Field of specialization | Accountant | Purchasing | Lawyer | Management | Other | Total |
|-------------------------|-------------|------------|------------|------------|---------------|-------|
| Frequency | 21 | 23 | 4 | 9 | 7 | 64 |
| (%age) | 33% | 36% | 6% | 14% | 11% | 100% |
| Level Of Education | Certificate | Diploma | Degree | Master | Others | Total |
| Frequency | 4 | 44 | 20 | 2 | 6 | 64 |
| Percentage | 5% | 58% | 26% | 3% | 8% | 100% |
| Work experience | 0-5year | 6-10 year | 11-15 year | 16-20 year | Above 20 year | |
| Frequency | 9 | 35 | 25 | 5 | 2 | 64 |
| Percentage | (12%) | 46% | 33% | 6% | 3% | 100% |

Table 3: Frequency of Work Experience, Qualification, Educational Level

Source: own survey, 2014

The results of the research related to respondent's background characteristics are presented and analyzed in the following paragraphs. Table 3 above described the frequencies of important profiles of respondents. The frequencies for work experience were indicated that 85% of the respondents served in procurement for 6-20 year, frequencies for educational level show that a high percentage (58%) of the respondents were diploma holder, 26 % of the respondents were degree holder, 3% of the respondent were completed their master program, 5% of the respondents still perform their procurement work by holding certificate. The frequency for qualification revealed that 39% of the employees were qualified in Accounting, 9% percent of the respondents qualified in Purchasing, 7% of the respondents qualified in lawyer, 14% of the respondents were qualified in management and the rest 31% were qualified in other qualification which has no direct relation .

Hence it is possible to conclude that majority of the respondents had an experience of six to ten, hence they are more familiar with the present procurement regularities of the region. Moreover, the study shows that despite majority of employees have degree or diploma (84%), their qualification has no relevance with procurement profession

4.5. Procurement Workforce of Oromia Regional State

| No | Factors | N | Min | Max | Mean |
|-----|---|----|-----|-----|-------------|
| 1. | Procurement staff of your sectors have skilled, experienced and knowledgeable man power | 64 | 1 | 4 | 2.28 |
| 2. | Procurement staff can make manage procurement | 64 | 1 | 3 | 2.31 |
| 3. | Procurement staff has skills to procure complex or special items | 64 | 1 | 3 | 2.39 |
| 4. | The procurement unit understands costumer needs, supply markets and suppliers | 64 | 1 | 4 | 2.27 |
| 5. | Procurement staff has the ability to prepare specification tender and contract documents for need identified. | 64 | 1 | 3 | 2.36 |
| 6. | Procurement staff can make Identification and packaging of procurements | 64 | 1 | 2 | 2.14 |
| 7. | Using Inappropriate or outdated procurement laws and regulations | 64 | 1 | 3 | 2.13 |
| 8. | Low pay for procurement staff | 64 | 1 | 2 | 2.22 |
| 9. | Staffs are given regular and adequate training | 64 | 1 | | 2.17 |
| 10. | Procurement staff know how and when different procurement method is used | 64 | 1 | 3 | 2.25 |
| 11. | Procurement staff carry out pre and post shipment inspection | 64 | 1 | 2 | 2.33 |
| 12. | Procurement staff has ability ,skill and knowledge to carry out pre and post shipment inspection | 64 | 1 | 2 | 2.28 |
| | | | | | 2.27 |

Table 4: Procurement Workforce in Oromia Regional State

Source: own survey, 2014

Table 4 above describes the perceived and practical level of procurement workforce as rated by the respondents. Accordingly, the average mean is expected to be 3 (three) but the observed mean of the variables is 2.27, which implies that the employment workforce of Oromia regional state have endowed low skills, knowledge and capabilities. From this it is possible to conclude that the procurement activities of the regional state is absolutely endangered as there has been skill gap in the employee engage in the activities of procurement. Having procurement capacity involves understanding globally, country wide and regionally recognized procurement principles, knowledge of national laws, regulations and procedures, and a commitment to ethical responsibilities (Jones, 2007). This goes in some aspect in line with what Hunja (2003) rightly observed, most procurement practitioners in developing countries lack knowledge issues necessary to plan, manage and implement wide-ranging procurement activities .

4.6. Procurement Challenges of Oromia Regional State

| No | Variables | N | Min | Max | Mean |
|-----|--|----|-----|-----|-------------|
| 1. | Problems of overall and detail planning on the requirements of goods, works and services | 64 | 2 | 5 | 3.97 |
| 2. | Procuring Low quality good, service and work | 64 | 2 | 5 | 3.98 |
| 3. | Procuring from single vender | 64 | 2 | 5 | 3.88 |
| 4. | Inappropriate procedures to monitor delivery of goods and services to verify quantity, quality and timelines | 64 | 2 | 4 | 4.00 |
| 5. | Lack of proper procurement knowledge, skills and capacity to perform procurement | 64 | 2 | 4 | 3.66 |
| 6. | Procurements are jam-packed with Fraud and Corruption | 64 | 2 | 5 | 3.64 |
| 7. | During procurement not adhere directives and manual of procurement , | 64 | 2 | 4 | 3.55 |
| 8. | Bid evaluations NOT carried out thoroughly and on the basis of criteria specified in the document | 64 | 1 | 4 | 3.70 |
| 9. | Un ethical relation between supplier and procurement or purchaser | 64 | 2 | 5 | 3.80 |
| 10. | Procuring near the end of budget year | 64 | 2 | 4 | 4.05 |
| 11. | During procurement objectives of value for money is not attained | 64 | 2 | 4 | 3.72 |
| 12. | Frequently or repeatedly procuring from the same suppliers or enders | 64 | 2 | 4 | 3.95 |
| 13. | Procurement are not promoted through media having wide coverage | 64 | 2 | 4 | 3.64 |
| 14. | Completion/delivery schedule NOT generally met for good, works and consultant services contracts | 64 | 2 | 4 | 3.52 |
| 15. | Lack of regularly conducting market survey for prices of goods and services | 64 | 2 | 4 | 3.56 |
| 16. | There is no an adequate system in place to prevent fraud and corruption in procurement on the part of the procurement officers and the suppliers/contractors | 64 | 2 | 4 | 3.64 |
| | | | | | 3.77 |

Table 5: The current procurement challenges Oromia regional state.

Source: Own Survey, 2014

Table 5 above describes the challenges of procurement in Oromia regional state as rated by the respondents. The variables used to measure the challenges of procurement in Oromia regional state were nominated on a 5-points scale. Respondents to the research were asked to consider 16 variables regarding the current procurement practices of Oromia regional state and to indicate the extent to which they agreed or disagreed with each questions. Accordingly, it can be seen that the mean 3.77 indicate that most of the respondents have responded that there is savior challenge on the procurement function of the regional government. This in turn leads to the poor performance of the procurement as good service and work were not procured in timely bases. Objective of public procurement is to provide quality goods and services through open and fair competition in the exact quantity and proper quality as specified, and has to be delivered at the time and place where needed (Basheka, 2008). This goes with what (Johanna, 2011) said, challenges like Lack of computerized procurement monitoring and administration; Problems of overall and detail planning on the requirements of goods, works and services; Evaluations not conducted by qualified evaluating committees; the quality of goods, services, infrastructures, and the effectiveness of public services prevents effective and efficient implementation of public procurement.

4.7. Current Practice of Public Procurement of Oromia Regional State

| No | Variables | Yes | No |
|----------------|---|------------|------------|
| 1. | Poor information about procurement needs | 76% | 24% |
| 2. | Weak procurement planning | 82% | 18% |
| 3. | Poor technical specifications for good ,work and service | 72% | 28% |
| 4. | Procured poor quality good service and work | 69% | 31% |
| 5. | Frequently or repeatedly procuring from the same suppliers or venders | 65% | 35% |
| 6. | Opening bid before or after the time specified in the minutes | 83.4% | 16.6% |
| 7. | Procurement unit did not held short list of suppliers | 79.6% | 20.4% |
| 8. | Supplier back ground did not study in detail. Due to this bid became failed | 66% | 34%% |
| 9. | Public procurement lacks transparency | 73.5% | 26.5% |
| 10. | Problems of detail planning on the requirements of goods, works and services | 68% | 32% |
| 11. | Frequently or repeatedly procuring from the same suppliers or enders | 71% | 29% |
| 12. | Lack of proper procurement knowledge, skills and capacity to perform procurement | 65% | 25% |
| 13. | Bid evaluations not carried out thoroughly and on the basis of criteria specified in the document | 68% | 32% |
| 14. | Cumbersome/very long / contract approval procedures | 78% | 22% |
| 15. | Low pay for procurement staff | 86% | 14% |
| 16. | Poor compliance with and enforcement of existing laws | 62% | 38% |
| 17. | Poor bid evaluation procedure | 59% | 41% |
| 18. | Procurements are jam-packed with Fraud and Corruption | 64% | 36% |
| Average | | 74% | 26% |

Table 6: The current procurement practices of Oromia regional state

Table 6 above describes the current public procurement practice of Oromia regional state. Accordingly majorities of respondents (74%) have responded that the aforementioned procurement practices are not well maintained. this also justified by the focus group discussion made. According to this focus group discussion majority of the respondents revealed that Problems of detail planning on the requirements of goods, works and services, Frequently or repeatedly procuring from the same suppliers or venders, Bid evaluations not carried out thoroughly and on the basis of criteria specified in the tender document .

Hence from the above response it is possible to conclude that, still the procurement office is open for mal-management practice, which in turn leads to poor performance of the sector offices as poor procurement practices hamper the supplies of items.

5. Summary, Conclusion and Recommendation

Under this chapter, the researcher presents summaries, conclusions and recommendations of the study

5.1. Summary

The procurement functions are the business of all public sectors of the region. That means if the function is not well maintained the whole system would be endangered as per the study. Procurement system of Oromia regional state is suffered from poor skilled workforce, management mal practices, that opened the room to maintain inefficient procurement system. That is the existing procurement workforce Oromia regional state is not appropriate to carry out procurement activities of the regional state. Furthermore, the challenges like poor bidding system, poor specification for the identified need, procuring low quality of good and service and Lack of proper knowledge, skills and capacity to perform procurement etc. are some of the

bottle neck that the regional government is facing. Hence, it is advisable for the regional to get rid-off those challenges in order to maintain the smooth sailing of the operation

5.2. Conclusion

This research assessed the procurement practice and challenge of public procurement in Oromia regional state. An examination of relevant literature and public procurement practices, challenges faced by the Oromia regional state is discussed in this research. Public procurement is increasingly recognized as a key concept that plays a significant role in the successful management of public resources. For this reason, several countries have become more aware of the importance of procurement as an area vulnerable to mismanagement and corruption, and have thus instituted efforts to integrate procurement in a strategic position of government efforts. as part of the need to adopt a long-term and strategic view of their procurement and management, most countries have resorted to turning to their annual procurement plans as a possible 'problem-solver' (Mahmood, 2010).

Public procurement primarily aims to be fair, equitable, transparent and cost-effective. To achieve this aim procurement workforce play crucial role. The research reveals that procurement workforce working the area of public procurement lacks skill, experience, knowledge and capability required to carry out procurement. furthermore, problems of overall and detail planning on the requirements of goods, works and services, procuring low quality good, service and work, procuring from single vender, and exhibiting mal-management practices .therefore , making the procurement worth could enhance the smooth functioning of other sector offices as the procurement is the back bone of fulfill the responsibility of public sectors

5.3. Recommendation

Public procurement has important economic and political implications, and ensuring that the process is economical and efficient is crucial. This requires in part that the whole procurement process should be well understood by the actors: government, the procuring entities and the business community/suppliers and other stakeholders, including professional associations, academic entities and the general public (Odhiambo & Kamau, 2003).

5.3.1. For the Regional Government

- Public procurement is increasingly recognized as a profession that plays a key role in the successful management of public resources, and a number of countries have become increasingly aware of the significance of procurement as an area vulnerable to mismanagement and corruption and have thus made an effort to integrate procurement into a more strategic view of government efforts (Mahmoud, 2010). Hence the regional government has to give a significant emphasis to this task and support the capacity building initiatives related to the task in addition to strengthening the regional procurement agency;
- To avoid the problem of lack of skilled and experienced manpower working in the area of procurement in the region, developing skills and knowledge of public procurement professional through either short term or long term trainings is very important. Hence, it is advisable for the regional government if it dedicates itself in enhancing the capacity of procurement professionals in the regional public sector. This might be done through creating an enabling environment at regional capacity building institutions
- The regional government is also recommended to initiate and strengthen future studies aimed at assessing or examining the challenges of procurement across the region and beyond.

5.3.2. For the Regional Procurement Agency

- It is advantageous if the regional procurement agency conducts a detailed assessment on the capacity of procurement officials across the region and develop an intervention mechanism to tackle the capacity gap manifested in this regard;
- It is advisable to procurement agency to work in close collaboration with different local and international institutions aimed at building the capacity of public procurement professionals. It has to strengthen different short term and long term trainings so as to build the capacity of public procurement employees.
- Ensuring fairness and equity in procurement function is very important. Hence, it is advisable to the agency to exert its utmost effort to ensure this through transparency in its activities and by being committed to accountability to its people.

5.3.3. For Further Researchers

- As Public procurement is an important function of government it has been used by governments to achieve socio-economic objectives such as stimulating economic activity; protecting national industries from foreign competition; improving the competitiveness of certain industrial sectors; and remedying national disparities (Bolton and Thai, 2006). It is one of the important aspects of development that plays a vital role in the economy (Odhiambo & Kamau, 2003). Given this fact; it's obvious that this area of the study will be one of the major focus areas of professional researchers.

- Hence, the researcher recommends future researchers to study this issue in detail and most importantly on the Impact of Poor Procuring Function on the Economy of the Country and the Region in Particular. In addition, the researcher recommends future researchers to deal mainly on devising a mechanism through which government expenditure on the procurement functions yields its appropriate value.

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